

- Program Objective:** The Rental Rehab Deferred Loan Pilot (RRDL) program will assist local communities and the state by preserving the existing affordable rental housing stock throughout Greater Minnesota. The RRDL program will provide rental property owners access to loans for moderate rehabilitation accessible through either a local administrative network or directly to qualified applicants. The RRDL program is available to qualified rental properties outside of the seven county metropolitan areas. Preference is given to applications targeting properties outside of the HOME Entitlement areas of the state.
- Access to Funds:** Program funds are available through a separate annual Request for Proposal (RFP) process outside of the annual Multifamily Consolidated Request for Proposals. (Consolidated RFP). RRDL projects may not concurrently apply for Consolidated RFP funding and will not be eligible for additional RFP or RRDL funding for at minimum of 5 years of a RRDL funding award.
- Eligible applicants include - Housing & Redevelopment Authorities (HRAs), Community Action Programs (CAPs), local non-profit housing providers, units of local and tribal governments, and joint powers board of two or more of the aforementioned entities.
- Funding Activities:** RRDL funding is available for both **Project** and **Program** activities through the RFP. Applicants may simultaneously submit applications for multiple Project and/or Program activities.
- Project Applicants** may submit a proposal for funding for the rehabilitation of specific properties.
- Program Applicants** may submit a proposal for a program designed to provide rehabilitation in specific geographic areas of Greater Minnesota and can offer innovative program delivery ideas or variations on the RRDL program.
- Applicants are encouraged to collaborate and leverage other rehabilitation resources to assist in the delivery of RRDL to a broader region
- Selection:** Applications for either funding activity will be evaluated for their overall feasibility, the applicant's capacity to manage the program or project, and ability to meet the proposed outcomes, including, but not limited to, total units rehabilitated and preserved. The Agency will also consider outreach and marketing plans, property selection criteria and program administration when reviewing applications.
- Program Applicants** must outline a specific target delivery area, and explain how their selection criteria and application process will provide preservation outcomes that support local area markets and utilize existing infrastructure.
- Priority will be given to proposals that best address the greatest number of the Minnesota Housing's strategic and funding priorities. For example, applicants that leverage RRDL funds with private, local, or owner funds will receive preference for

funding.

The Minnesota Housing Rental Rehabilitation Loan program (6% amortizing loan) is an acceptable form of leverage available that could be utilized to help deepen the rehabilitation scope of work, including, but not limited to, additional energy conservation improvements.

Eligible Properties: Residential rental property including single family homes, duplex or larger apartments, as long as four or more units or single family homes are located within a single community or county program area.

Funds may be used for moderate rehabilitation of structurally sound residential rental properties where at least 50% of the space will be utilized for rental housing

Rehab Standards: To ensure rehabilitated housing is sustainable, energy efficient and cost effective to operate the items in the rehabilitation scope must comply with the Minnesota Overlay to the 2008 Green Communities or the 2011 Green Communities standards and any amendments adopted by the Minnesota Housing.

Rehabilitation performed must provide, at a minimum, decent, safe, affordable rental housing that conforms to the Minnesota State Building Code, local codes or regulations, or the Minnesota Housing's General Occupancy Rental Housing Minimum Rehabilitation Standards, whichever is most restrictive.

Funds Available: Up to \$13,000,000 is available for the period between October 2011 to June 2013.

Approximately \$4.5 million will be available per biennium thereafter, depending on state appropriations.

Program Guidance: The Economic Development and Housing Challenge Fund Program will serve as the framework for RRDL.

Loan Terms: The funding is offered as a 0% deferred loan.

- Principal shall be due and payable in full at the end of the loan term.
- Maximum loan is \$300,000 and minimum is \$25,000.
- Per unit limit is \$25,000. For single family homes and duplexes, the limit is \$35,000 per unit.
- The loan will be non-recourse to the property owner.
- Minnesota Housing may adjust the loan term based on requirements and conditions of other funding sources related to loan term.

The following provisions apply ONLY to rental properties assisted through a local RRDL
Program Administrator:

- The loan may be structured as either an end loan or construction loan.
- The loan term is 10 years for loans under \$100,000 and 15 years for loans of \$100,000 to \$300,000.
- The loan may be prepaid in full earlier; however, compliance with rent restrictions will be effective for a minimum of 5 to 10 years, depending on the size of the loan.
- For properties that maintain use restrictions and have been compliant with monitoring requirements throughout the loan term, five percent (5%) of the loan principle will be forgiven each year of the last five years of the loan term, up to a

maximum of twenty five percent (25%) of the initial loan amount.

- The term of the loan may be extended up to 30 years. The owner must agree to maintain the use restriction and report annually for the duration of the extended loan term.
- The loan may be prepaid in full at any time. The owner may pay a premium in addition to the full loan amount to receive a release from the remainder of the minimum use restriction period

The following provisions apply **ONLY** to **Project Applicants** awarded funds for the rehabilitation of specific properties.

- The loan will be structured as an end loan.
- The loan term is 30 years.

Financial Analysis: When approving a loan, the following will be considered:

- The project's operating budget for the past 3 years, vacancy information and a cash flow analysis demonstrating the project's ability to remain affordable and sustainable for 10 years.
- All reserves, escrows, and other resources available to make repairs.

Evidence of Title: Title to the property must be free from any liens and encumbrances unless consented to by Minnesota Housing in advance of the loan closing. An Owner & Encumbrance Report or Title Insurance Policy is required for all RRDL loans.

Rent Limits: Rent must be affordable to the local workforce. This means, rent limits are based on the typical wages of the jobs in the local area. Rent is affordable if it does not exceed 30% of the typical wages being paid in the local area as described in the application for funding.

Income limits: All households occupying assisted units, including those at the time of closing on the loan, must have household incomes at or below 80% of the greater of state or area median income, not adjusted for family size.

As assisted units become vacant, incomes of new households occupying those units must not exceed the income limits. Households need only qualify at the time of initial occupancy and do not need to be re-certified thereafter. Households may self-certify their income; no third party verification is required.

RRDL rent and income limits will soon be available on the Minnesota Housing Web site.

Monitoring and Compliance: The income and occupancy requirements for all assisted properties will be monitored by Minnesota Housing for applicable affordability period.

Monitoring of the property owners:

Minnesota Housing will inspect the property every 5 years in accordance with Minnesota Housing's Multifamily Deferred Loan monitoring policy.

Annual Owner's Compliance Reports:

The property owner will report in a form and manner required by Minnesota Housing. Annually the property owner must certify to Minnesota Housing that the project has complied with RRDL Program restrictions. The annual certification form requires the owner to certify compliance with rent, income and property insurance requirements, and identify any changes in ownership, management, and/or service provider.

Program Administrator Monitoring and Reporting:

Minnesota Housing will monitor the local administrator's performance and inspect records and properties in accordance with provisions of the RRDL Program Guide.

Program administrators will submit project completion and annual performance reports in a form and manner required by Minnesota Housing.

- Program Benefits:**
- *Dedicated funds for the preservation* of affordable rental units in Greater Minnesota.
 - Flexible terms and activities with a streamlined process.
 - No federal crosscutting standards or requirements.
 - Awards based on need as demonstrated in competitive applications.
 - Reimbursement is available to help offset qualified administrative costs.

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